

SEP 12 1989

CERTIFIED MAIL

Dear Sir or Madam:

We have considered your application for recognition of exemption from federal income tax under section 501(c)(6) of the Internal Revenue Code of 1986.

The information submitted discloses that you were incorporated under the nonprofit corporation law of the [redacted] on [redacted].

The purpose of the corporation is to advertise and promote vehicles for which members are franchised by [redacted].

Membership is open to any person, firm, or corporation having a written contract, sales agreement or franchise agreement with [redacted] to sell vehicles in the United States within the [redacted] zone territory. The [redacted] zone territory consists of [redacted] and the state of [redacted].

You currently have [redacted] members. Dues are paid by each member to the manufacturers for [redacted]. Dues are determined by the type and number of vehicles purchased from the manufacturer. The manufacturer collects the monies and remits the money to your organization. The manufacturer also provides you with a list detailing what each dealer received and dues paid. The monies are then used to advertise and promote the various makes and models of automobiles produced by [redacted] in the [redacted] zone territory.

Section 501(c)(6) of the Code provides for the exemption of business leagues, chambers of commerce, real estate boards, boards for trade, and professional football leagues, which are not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(6)-1 of the Income Tax Regulations defines a business league as an association of persons having

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
	[redacted]	[redacted]	[redacted]				
Surname	[redacted]	[redacted]	[redacted]				
Date	8/17/89	8/23/89	9-12-89				

Department of the Treasury/ Internal Revenue Service

general class as a chamber of commerce or board of trade" and "its activities should be directed to improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons."

Revenue Ruling 73-411, 1973-2 C.B. 180 discusses the characteristics of organizations exempt under 501(c)(6), stating that an organization seeking exemption under this section as a chamber of commerce or board of trade must be one whose efforts are directed at promoting the common economic interests of all of the commercial enterprises in a given trade community comprising a broad segment of the public such as a city or similar geographical or political area. A business league or trade association is similar to a chamber of commerce, but serves the common business interests of those in a single line of business, or of closely related lines of business. In either case, membership is voluntary, and open to all businessmen in the community. In the case of a chamber of commerce or board of trade, or all in the line or lines of business sharing the common business interest in the case of a business league. Benefits are not limited to the membership.

Revenue Ruling 47-77, 1947-1 C.B. discusses an organization composed of dealers of a certain make of automobile in a designated area is organized and operated for the primary purpose of financing general advertising campaigns to promote, with funds contributed by dealer members, the sale of that make of automobile. Membership in the organization is restricted to dealers who hold franchises for the sale of a certain make of automobile in a designated area. It was formed to unite the dealers in the area and to finance general advertising campaigns which promote the sale of automobiles, parts, and services. Its only income consists of contributions from the dealer-members. The size of these contributions is determined by the number of automobiles purchased from the manufacturer by each member.

The organization described herein, instead of engaging in activities for the improvement of business conditions in the automotive industry as a whole, is performing services for its members by advertising the make of automobile sold by its members. Therefore, it is not entitled to exemption from federal income tax as a business league under section 501(c)(6) of the Code.

An organization formed to sell advertising in its members' publications was denied exemption because the activities were found to constitute the performance of particular services for individual persons (Rev. Rul. 56-84, 1956-1 C.B. 201).

An association of the merchants in a particular shopping center whose advertising material contained the names of the individual merchants was

[REDACTED]

denied exemption (Rev. Rul 64-315, 1964-2 C.B. 147) as was an association created to attract tourists to a local area, but whose principal activity was publication of a yearbook consisting largely of paid advertisements by its members (Rev. Rul 65-14, 1965-1 C.B. 236).

You advertise on television, radio, and on billboards. Your advertisements are to end with phrases such as "See your local [REDACTED] dealer." Your advertisements are to promote the various makes and models of cars, produced by [REDACTED], that are sold by member dealers.

Your activities are directed solely to promoting the business and economic interests of your membership, not an industry.

We therefore hold that you lack the essential characteristics of a chamber of commerce, board of trade, or business league. Accordingly, you do not meet the test of the statute and do not qualify for exemption under Section 501(c)(6) of the Code.

Even if you have established an exempt status, you are not relieved of the requirements for filing federal income tax returns.

If you do not accept our findings, we recommend that you request a conference with a member of our Regional Office of Appeals. Your request for a conference should include a written appeal giving the facts, law and any other information to support your position as explained in the enclosed Publication 892. You will then be contacted to arrange a date for a conference. The conference may be held at the Regional Office or, if you request, at any mutually convenient District Office. If we do not hear from you within 30 days of the date of this letter, this determination will become final.

Sincerely yours,

[REDACTED]

District Director

Enclosure: Publication 892